

Message Text

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SUBJECT: MACK TRUCKS

REF: A) SANTIAGO 7790; B) STATE 180772

1. SUMMARY AND CONCLUSION: DESPITE AMBASSADOR'S INTERVENTION WITH FOREIGN MINISTER, EMBASSY HAS BEEN DEFINITELY INFORMED BY FOREIGN MINISTRY THAT GOC IS NOT PLANNING ANY MODIFICATION OF WHAT IT CHARACTERIZES AS ITS "CONTRACTUAL OBLIGATIONS" TO THE SPANISH TRUCK FIRM, PEGASO. WE DO NOT BELIEVE THAT FURTHER EXHORTATION AT THIS END WILL BE EFFECTIVE. DEPARTMENT'S GUIDANCE WOULD BE APPRECIATED, PARTICULARLY WITH REFERENCE TO A US ACTION RESPONSE TO POSSIBLE VIOLATIONS OF GATT OR OF BILATERAL AGREEMENTS. END SUMMARY AND CONCLUSION.

2. GOC HAS CONTRACTUAL OBLIGATION TO PEGASO TRUCKS, AN ENTITY 67 PERCENT OWNED BY SPANISH GOVERNMENT, DATING FROM 1976. CONTRACT WAS IN NATURE OF INDEMNITY WHICH GOC HAD TO PAY IN ORDER TO EXTRACT ITSELF FROM UNFAVORABLE TRUCK ASSEMBLY PLANT AGREEMENT CONCLUDED WITH PEGASO BY PREVIOUS (ALLENDE) REGIME. PRESENT CONTRACT PROVIDES THAT BETWEEN 1976 AND 1981, INCLUSIVE, GOC WILL ITSELF HAVE BOUGHT OR AUTHORIZED THE IMPORT OF 4200 ASSEMBLED PEGASO TRUCKS. YEARLY TARGET QUOTA IS THEREFORE 700.

3. AGREEMENT WAS BASED ON THE ASSUMPTION THAT CHILE'S NORMAL

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MARKET REQUIREMENT WAS 1500 IMPORTED TRUCKS A YEAR. PEGASO

THUS WOULD ACCOUNT FOR ABOUT HALF OF COUNTRY'S NEEDS. HOWEVER, DEPRESSED ECONOMIC CONDITIONS HAVE REDUCED RATE OF IMPORTS OF TRUCKS TO ABOUT 800 PER YEAR. MINISTRIES OF FINANCE AND TRANSPORT HAVE ACCORDINGLY DIRECTED CENTRAL BANK NOT TO ISSUE IMPORT LICENSES FOR OTHER THAN PEGASO TRUCKS. DIRECTIVE PERMITS EXCEPTION FOR USES WHICH PEGASO TRUCKS CANNOT SATISFY, BUT THIS EXCEPTION SO FAR HAS BEEN LIMITED TO HIGHLY SPECIALIZED VEHICLES SUCH AS CEMENT TRUCKS, FIRE TRUCKS, HOISTS, ETC.

4. MINISTRY OF FINANCE CAUAS EXPRESSED TO AMBASSADOR, AND PRESIDENT OF CENTRAL BANK CARAONA TO ECON COUNSELOR, THEIR PERSONAL REGRET THAT GOC MUST ENFORCE THIS CONTRACT WHICH IN SPIRIT AND LETTER RUNS CONTRARY TO THEIR FREE MARKET PRINCIPLES. FOREIGN MINISTRY ECONOMIC DIRECTOR CASANUEVA, IN TWO EXTENDED CONVERSATIONS WITH COMMERCIAL ATTACHE, ARGUED THAT IN HOLDING TO STRICT TERMS OF ITS CONTRACT WITH PEGASO, GOC IS NOT VIOLATING ITS INTERNATIONAL OBLIGATIONS SINCE NO PARTICULAR COUNTRY (RPT COUNTRY) IS FAVORED BY IT. THUS, OTHER SPANISH TRUCK MANUFACTURERS ARE BARRED ALONG WITH EVERYONE ELSE. CASANUEVA EXPRESSED THE HOPE THAT AS GENERAL ECONOMIC CONDITIONS IMPROVE, GROWING MARKET DEMAND SHOULD MAKE POSSIBLE IMPORT OF OTHER TRUCKS ONCE THE MINIMUM PEGASO QUOTA IS MET.

5. IN RESPONDING TO MACK TRUCKS, DEPARTMENT MAY ALSO WISH TO EMPHASIZE THAT FULL DOCUMENTATION WAS PRESENTED TO BARAONA AND CASANUEVA. WE ARE SATISFIED THAT GOC DECISION MAKERS ARE FULLY FAMILIAR WITH MATTER OF MACK TRUCKS AND ITS LARGER POLICY IMPLICATIONS. BARAONA SAID THAT HE WOULD LIKE TO AUTHORIZE MACK TRUCKS TO FILL THE ORDER FROM THE TOCOPILLA MINE (REF B) ON AN EXCEPTIONAL BASIS. SIMILARLY, THE GOC WOULD LIKE TO RESPOND FAVORABLY TO EQUALLY COGENT ARGUMENTATION FROM BRAZILIAN AND ARGENTINE PRODUCERS. THE TROUBLE, HOWEVER, CONCLUDED BARAONA, IS THAT, "SMALL EXCEPTIONS HAVE A WAY OF TURNING INTO BIG EXCEPTIONS."

6. WITH ALL DUE RESPECT TO THE GOC'S CONTRACTUAL OBLIGATIONS TO THIS SPANISH FIRM, EMBASSY SUSPECTS THAT CASE CAN BE MADE THAT GOC HAS LARGER INTERNATIONAL COMMITMENTS LIMITED OFFICIAL USE

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WHICH FORBID THIS KIND OF DISCRIMINATION. WE WOULD APPRECIATE BEING ADVISED WHAT FURTHER ARGUMENTS, ACTIONS, ARE OPEN TO U.S. POPPER

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